



Spring Budget 2021

Impact on companies

In his second Budget speech, the Chancellor, Rishi Sunak announced and confirmed a number of measures which will impact companies. The key messages in the Budget announcement are outlined in this document.

Corporation tax

The rate of corporation tax from 1 April 2023 will increase to 25% for companies generating taxable profits of more than £250k. The current 19% tax will continue to apply to 'small' companies with profits less than £50k, with a 'taper relief rate' for those companies with profits between the new thresholds.

Capital Expenditure

The new 'super-deduction' will allow companies investing in qualifying plant and machinery to claim a 130% capital allowance when calculating profits chargeable to corporation tax.

There will also be a 50% first-year allowance for qualifying special rate (including long life) assets for purchases from 1 April 2021 to 31 March 2023.

Losses

The loss carry-back rules will temporarily be extended for companies that have incurred losses between 1 April 2020 and 31 March 2022, such that trading losses up to £2m per annum will be available to be offset against the previous three years' taxable profits, resulting in tax repayments from HMRC.

Groups of companies will be subject to an annual cap of either £2m per group or £200k per company within the group.

Withholding Tax

From 1 June 2021, payments of interest and royalties to connected companies resident in EU Member States will become liable to UK withholding tax at a rate of 20%, however may be reduced based on the rates outlined in the specific double tax treaty.

Research and Development

A new cap to prevent the abuse of Research and Development (R&D) tax relief for small and medium sized enterprises (SMEs) will be introduced from April 2021. This will limit the amount of payable R&D tax credit that SMEs can claim to £20,000 plus three times its total Pay as you Earn (PAYE) and National Insurance Contributions (NICs) liability for the period. There is no restriction required, if SMEs have employees that are creating Intellectual Property (IP) and if less than 15% of the qualifying R&D expenditure is paid to 'connected persons'.

VAT

The reduced VAT rate of 5% for the hospitality and tourism sector has been extended to 30 September 2021, following which it will increase to 12.5% for a further 6 months before reverting to the standard rate from 1 April 2022.

Please let us know if you have any questions or would like to discuss any of the above with our tax specialists. We would be happy to arrange a call.

Key contacts



Peter Legge
Partner, Tax
T +44 (0)28 9587 1081
E peter.legge@ie.gt.com



Mark Bradley
Director, Corporate Tax
T +44 (0)28 9587 1122
E mark.bradley@ie.gt.com



Lorraine Nelson
Director, Corporate Tax
T +44 (0)28 9587 2311
E lorraine.nelson@ie.gt.com



Liam McHenry
Associate Director, Innovations Tax
T +44 (0)28 9587 2300
E liam.mchenry@ie.gt.com

 [grantthorntoni.com](https://www.grantthorntoni.com)

 [@GrantThorntonNI](https://twitter.com/GrantThorntonNI)

 [Grant Thornton \(NI\) LLP](https://www.linkedin.com/company/grant-thornton-ni-llp)

